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Reconcile the Paradox: Stability & Volatility Inclusive

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ABSTRACT

The paper answers the questions: How is it possible for mature and complex organizations to break out from their evolutionary trajectories? How do these changes take place on the micro level? The paper argues, that stability and volatility can be mutually inclusive. Stability is found to provide the structures, processes, and agentic templates for the organization to perceive change stimuli, to act on these and to roll out changes. The integration of social and formal structures and processes is found essential to effect changes. To conceptualize, path dependence theory is synthetized from a process perspective. The exploratory study is conducted by the author in the shipping industry of Japan, that brings the closed, complex, and hyper-stable Japanese business groups to focus, the core headquarters operation of which has been out of reach of scholars till now due to organizational-cultural boundaries. The findings are relevant to all organizations undergoing change in general, to complex and mature organizations locked in a state of pathological inertia in particular, and, most specifically, to Japanese business groups.

Introduction

How is it possible for an organization to break with a mature path-dependent trajectory that is driven by complex learning and control & coordination effects? What are the triggers and the enabling, facilitating, and implementing mechanisms of path-breaking? These questions continue to puzzle both researchers and practitioners. Here, answers are sought to these questions by conceptualizing path dependence as a relational construct possessing structure and agency and by examining it in process: as a dynamic interaction between structure and agency.

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Path-dependence is a source of organizational resilience that provides for sustained stability and reliability in the form of institutionalized choices: a link between past experience and present-day problems, a dependable predictor of future outcomes (David, 1994; North, 1991). Following this logic, path dependence's key purpose is to promote survival by reducing volatilities; to provide for consistency and predictability-reliability. Driven with a stability purpose, it is universally agreed that path dependence excludes path breaking i.e. volatility, and that the answers to path-breaking must be sought externally (David, 1994; Sydow et al., 2009). As for the process of break-out, Garud and Sydow conceptualize it as a restoration of choice situation (Garud et al., 2010; Sydow et al., 2009). Bohnsack et al.'s recent empirical study supports this conceptualization: the incorporation of digital technologies into business models is found to restore and expand choice of action in path dependent mature organizations (Bohnsack et al., 2021). Fortwengel & Keller theorize path-breaking from a process perspective and argue that a „big event" in the organization, a leadership transition drives the break-down of patterns, which patterns are then reconstructed through gradual and sustained processes (Fortwengel & Keller, 2020). An agent-based simulation of organizational change demonstrates otherwise: the inertial force of path dependent self-reinforcing mechanisms is likely to overwrite formal authority's attempts at change (Petermann et al., 2019): the answer continues to evade scholars and practitioners. The field is still under-researched, inconclusive and is inviting more micro level empirical studies (Fortwengel & Keller, 2020). This paper contributes to understanding based on micro-level evidence provided by a Japanese business group undergoing transition. The research examines the conditions and the internal organizational dynamics under which organizations break free from path dependent constraints. In focus are the "lived" control and coordination routines - as experienced by the members, of a closed, complex, and vertically embedded business group that operates globally, against the backdrop of a suddenly and fast consolidating market. An emergent process approach is applied, as I felt that path-breaking yields more when examined in action. For this, path-breaking is understood to be embedded in path-dependence and, as such, path dependence shall have explanatory power for path-breaking. To drive action, path-dependence is conceptualized as a relational construct that possesses structure and agency: inertial and evolutionary qualities (Bourdieu, 1977; Feldman et al., 2016; Feldman & Pentland, 2003). The case captures path-breaking's process of becoming. It is found that volatility: path-breaking agency is allowed, supported, and guided by stability: the path dependent structure and, in consequence, the structure undergoes fundamental change. This makes the logically exclusive stability – volatility concepts process-wise inclusive. The findings are generally relevant to all organizations and, to complex and mature organizations locked in a state of inertia in particular. As the case is provided by a business group, an under-researched field due to the unaccessability of these organizations to outsiders, the paper extends the frontiers of understanding on business groups' resilience and transformation mechanisms. Within business groups, understanding is furthered on East Asian organizations, within these Japanese business groups. Below the methodology is overviewed, than the case and the context are outlined. This is followed by developing the concept, the findings are then synthetized and implications on research and practice, limitations and call for further research close the paper.

Method

Data were collected from 63 lived experiences of 13 staff, middle and top managers of Company A, in in-depth semi-structured interviews. The participants were selected based on two criteria: 1) their direct involvement in both domestic and international operations and/or strategy making and 2) length of tenure to make sure that their narratives are drawn from a rich experience base. Japanese companies rotate members in the organization regularly, on average 3 years apart, to build specialists who know the organization inside out from the perspectives of multiple units. The participants currently belong to 7 sub-units, representing 2 decision-making core units, 3 operating core units, and 2 peripheries. The participants had been transferred internally 3 to 8 times during their tenure, that means their narratives contribute a total of 63 lived experiences of several layers of the core as well as various rungs of the periphery for each person. For this reason, the sample size and quality provide an accurate picture of internal dynamics and conditions. All participants are male and except for two, are Japanese. The interviews took approximately 1 hour each and were conducted across June and July, 2019 in the Tokyo headquarters and in the London office. Participants were asked to express their thoughts freely about the shipping business, typical internal operational and external/internal relational interactions. The interviews were conducted in English and Japanese by the author who, as a long-term resident of Japan and, the Japanese diaspora of the United States, is proficient in both languages. While story-telling in one's mother tongue is richer in expression and more suffused with emotion, the participants were free to choose the language of their preference. The author decided not to edit the scripts for grammar or vocabulary to stay close to the source and, to convey the emotions expressed in the informants' form and content. The interview recordings were then transcribed verbatim, translated to English and processed via thematical, structural and dialogic/performative narrative analysis in the spirit and framework provided by grounded theory (Charmaz, 1996; Glaser & Strauss, 1967). Within the school of grounded theory, Merriam's procedural stance was adopted (Merriam, 1998). In addition to academic peer review, the analysis is audited by applied psychology and industrial counselling experts whose native tongue is Japanese.

Case and context

- How is it possible for an organization to break with a mature path-dependent trajectory that is driven by complex learning and control & coordination effects?
- What are the triggers and the enabling, facilitating, and implementing mechanisms of path-breaking?

This paper opens the black box of path-dependence and path-breaking's moment of becoming by 1) the propitious alignment of time, place, and actors and 2) by the research methodology that allows for situated and often informal meanings to emerge and codifies these into actionable insights. The alignment of "time, place and actor" here means that a business group opened its gates for the researcher to interview its members: opening a window to the inside – and the outside. The discourse took place at the time of a market disruption that affected the organization throughout its operations globally as well as in the decision-making core: an opportune time to explore linkages -

to discover tension between the organization and the changing environment, to witness the sense making and integrating journeys.

The case is provided by a Japanese business group. As opposed to corporations, business groups are interdependent conglomerate organizations with extended, economically and, socially construed business networks. The "ties among actors are multiplex, ties are only partly observed, and group definitions are socially constructed" (Holmes et al., 2018; Khanna & Rivkin, 2006; Mierzejewska & Dziurski, 2019). Business groups vary across geographies; their characteristics are best explained by these organizations' temporal and institutional embeddedness (Khanna & Rivkin 2006). Among business groups, East Asian - Chinese, Korean and Japanese groups, are notable for their shared characteristics informed by Confucian philosophy: interpersonal harmony, traditional conservatism and a prominent emphasis on relational hierarchy (Chen & Chung, 1994; Zhang et al., 2005). By interpersonal harmony, one strives to maintain the status quo and to avoid unsettling fluctuations caused by ambiguity. Traditional conservatism is a construct of harmony, that prioritizes precedence over the ambiguity of change, which augments organizing's inherently inertial qualities. The relationships have a strong power bias: these tend to maximize differences in status, role, age, and sex. Social collectives are divided between ingroups and outgroups and intermediaries perform the role to connect them. As such, East Asian business groups' default modus operandi is that of complex, closed vertical networks in the state of sustained equilibrium; and their survival mechanism is complex and incremental adaptation to the (home) environment.

Business groups are exciting subjects to study path-dependence and break-out processes for two main reasons. First, as economic, and social constructs, business groups exert formal and informal controls over individual members; a valuable opportunity to appreciate these control processes as inter-related contingent factors contributing to the problem. Second, business groups manifest the paradox of institutionalization, and are therefore prone to hyperstability. Reliability and accountability afforded by high levels of institutionalization lead to hyper-stability and organizational inertia, that can lock the organization in path-dependent trajectories and prevent these from responding to changes in the environment (Hannan & Freeman, 1977; Morck & Nakamura, 2005; Sydow et al., 2009). During institutionalization, the organizational structure is developed by standardizing-routinizing and by exploiting complex complementarities (Fisman & Khanna, 1998; Holmes et al., 2018). Hyperstability is further cemented by learning effects that produce and reinforce the institutionalization processes: mostly implicit cognitive, emotional and behavioral controls; which become taken for granted over time and gain institutional status (Romanelli et al., 1992). Taking one step further, the learning effects then produce a strong member identity, a consensus to follow processes, and to maintain the status quo (Ouchi, 1980). The evident resilience and success of business groups worldwide indicates that gaps exist in our understanding on hyperstability. Japanese business groups underline this premise; the oldest of these, Kongo Gumi has been in uninterrupted operation for more than 1440 years as of this day. Longevity and success are markers of path dependence and of a high potential for lock-in. At the same time these suggest the existence of robust transformation mechanisms that are invisible under the cloak of hyperstability (Járfás, 2019).

While the above complexity invites investigation, the field is under-researched as business groups' marked boundaries between insiders and outsiders places them out of reach for scholars - therefore the persisting need for more empirical research on them (Colli & Colpan, 2016). The paper addresses this gap in knowledge by shedding light on Japanese business groups' microprocesses of resilience. The tension among the target group's multiple embeddedness, conservatism, and apparent path-dependent lock-in, and the shipping industry's boundary spanning yet tightly networked and standardized characteristics lend themselves well to studying processes of resilience and transformation: How is it possible for a hyper-stable embedded organization to break with its development trajectory? What would the triggers and the enablers/facilitators and implementors for this be? This paper furthers understanding on emergent path-breaking processes of mature and complex organizations in general, and of East Asian / Japanese business groups; in particular.

Path dependence: knowledge production

Path dependence shapes organizations as these build on historic experience to achieve consistency of actions, beliefs, and future expectations, which allows multiple players to operate without centralized direction. This consistency then creates a resemblance and complementarity in durable assets and knowledge systems that allows a complex and differentiated organization to function efficiently (Arrow, 1974). This high level of complexity and interrelatedness will veer the organization toward established codes and routines and limit the solution choices that may be available for a given problem (David, 1994; Sydow et al., 2009). Inertia is a natural cohort effect of consistency/efficiency and resilience, as the aim of these markers is to reduce ambiguity and volatility. Inertia, however, may also turn pathological and lead to lock-ins inhibiting efficiency (Hannan & Freeman, 1977). Professionals and researchers can be alerted to lock-ins when the organization foregoes new, efficient alternatives even when the path-dependent routines prove inefficient (Berthod & Sydow, 2013; Yamagishi et al., 1999).

In view of the sheer pressure of these self-reinforcing dynamics, path-breaking interventions struggle to succeed: the longer time spent in the path-dependent status quo, the higher the challenge to break the path (Feldman & Pentland, 2003).

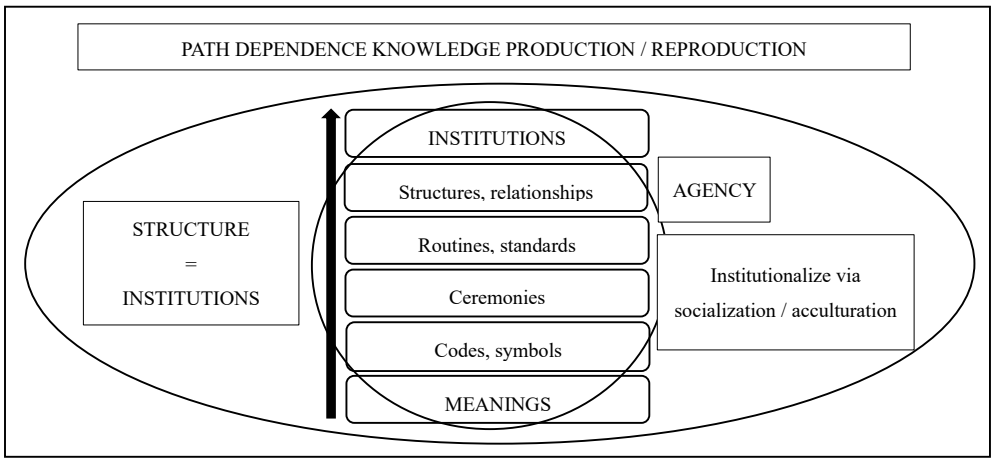
How to reconcile the tension between the organization's inertia and the changing environment? I felt that examining path-breaking embedded in its precedence: path dependence should yield answers. For this reason, a definition for path dependence was sought that accounted for action: as a relational construct possessing body structure and agency as opposed to being a singular concept (Bourdieu, 1977; Feldman & Pentland, 2003; Foucault, 1975; Latour, 1984).

Here, path-dependence shall therefore be interpreted in-actu and defined as sustained and self-reinforcing coordination and direction of actions that organize agents with a minimum of explicit control based on past experience, solving present-day problems for predictable future outcomes. The purpose of this organizing is to achieve maximum efficiency by creating order and reducing uncertainties. The ontology is adopted whereby path dependence is an emergent process cloaked in ambiguity, an aggregation of intended as well as unintended and unanticipated outcomes of planned

and random events. These processes often play out without the players being aware of them and can only be reconstructed with hindsight but only partially (David, 1994; Sydow et al., 2009).

The first question that comes to mind is, how to account for structure in this emergent and mostly implicit process? The Institution is conceptualized as the structure of path dependence. The theory builds on the premise that organizing never takes place on white blank sheets, rather it is embedded in time and place and is produced by extant rules, norms, customs, habits and understandings. By this we arrive at the very definition of the Institution: the idealized expectations of behaviour rooted in sanctioned meanings. The Institution is the cumulative sum of the knowledge production iteration cycle, building up from meanings, organizational relationships – communication design, roles, and processes etc.; action templates – standards, routines, cognitive templates – codes, symbols arriving at the institutions, and reverting back to the previous knowledge layers (Berger & Luckmann, 1991). Inertia counterbalances the complex iterative and overlapping interaction among structural layers as the structure is designed for stability. Agency is path dependence's emergent aspect; the structure is enacted and reinforced here from the meanings up, through the institutions, in iterative overlapping cycles. While the enactment of institutions has the potential to be a source of change in terms of diversity of actions (Feldman & Pentland, 2003), the inertial force of the structure renders the enactment inertial. This means that the structural layers are produced by embedded cognitive templates, that narrow down the infinite range of choices to a collectively sanctioned, therefore legitimized set. Agency operates on the most fundamental knowledge level, that of meanings. The template of meanings is introduced, adopted, produced and reproduced via socialization and the subsequent acculturation (Ouchi, 1980; Schildt et al., 2019). Collective reiteration renders the meanings taken for granted as these "sink" into unconscious "habits" (Biggart & Beamish, 2003; Zoellner, 2020). Following this premise, the agency will tend towards the inertial reinforcement of path dependence's structure (Sydow et al., 2009): the organization shall achieve congruence with experience – stability, be able to solve present-day problems and generate predictable outcomes in a reliable manner (North, 1991). See Figure 1) Path dependence knowledge production: establishing the moment of truth, below.

Figure 1. *Path dependence knowledge production: the moment of truth*



How does, then, this duality within path dependence produce knowledge? By establishing the moment of truth: the standard for plausibility and accuracy. This is the most fundamental level of organization, the basis for the more complex mechanisms of the knowledge production – codes, symbols, ceremonies, routines and standards, structures and relationships - institutions (Friedland Robert, 1991). The production of meaning takes place in a circular relationship with the embedded context – time and space in a collective effort. Time and space give meanings coherence, therefore facilitates adoption by lending it legitimacy (Araujo & Rezende, 2003). At the same time, meaning production is a collective effort: it is carried out by those whose interest it is to impose the meanings, and those who agree to perform them. As the meanings reach wide-spread and sustained adoption, these penetrate into micro-behaviours that are often performed reflexively. Low externalization removes the threat of resistance and at the same time, promotes the reproduction of knowledge. Over time, actors adopt meanings as their own, perform routines out of habit and are disposed to align with organizational goals and frameworks (Foucault, 1982; Ouchi, 1980). From the structure's perspective, acculturated actors' agency is the fundamental building block of its productive efficiency. Acculturation is achieved by socialization and is supported by instutions - explicitly sanctioned practices, structures and relationships in a circular and iterative manner (Clegg et al., 2006; Zucker, 1983). Thus, we recur to the in-actu definition of path dependence: sustained and self-reinforcing coordination and direction of actions that organizes agents with a minimum of explicit control based on past experience, solving present-day problems for predictable future outcomes. As for its purpose of organizing, path dependence maintains the equilibrium of the status quo by delimiting the body of knowledge, and by creating order.

Discourse: breaking into a new path

The case saw an institutionalized third space activate the built-in change enablers and facilitators. This institutionalized third space is "kankei", the Japanese form of the Confucian relationship institution. Unlike the Chinese and Korean relationship institutions, "kankei" comprises a meaning that allows closed groups to form unmediated new relationships should these appear beneficial in a fortuitous moment (Aoki & Dore, 1994; Hitt et al., 2002). Translated into the narrative of the case, the researcher met someone in the organization who took up the idea of the research and circulated the message among decision-makers. The organization decided to agree to the relationship, and allowed members fitting the selection criteria to volunteer for the interviews.

As a backdrop, the organization was under intense competitive pressure and an imminent loss of market position loomed. There was a general sense of resignation about the "way we do business here" in the air.

Mr. D.: "If someone, say, calls, for example, "we're trying to create some new business, with new clients". But maybe, 90% of such an explanation is refined or rebuilt from existing or potential clients. But other 10% is pure new business. So, as a shipping company, as an entity, we have to find something new. To survive."

Mr. B: "So, I believe there're some times that I cannot fix some business because they just … just walked away. 'Cause they couldn't wait for us. They couldn't wait for us and we were waiting for Tokyo. So right…"

The third space of the dialogue offered an opportunity to express, examine and to share emotions in an environment that was both sanctioned and shielded. As a result, sensemakers were alerted to an organizational lock-in: that the „way we do things here" no longer supported growth.

Researcher: How about (informing HQ on) market opportunities?
Mr. B: (Chuckle) Right… (chuckle) right…. (...) if they would give us instructions they would tell us (composed). And vice versa. If we wanted to allocate a ship to this direction, we would also inform then Tokyo. It was vice versa. It was both ways of communication. Right, right (accent)…
Mr. D: Ummmmmmm (patient) Ummmmmmm (patient) Ahhhhh Yes, but idealistically. Idealistically. (...) But, in fact, it's maybe more routine work. All action is routine work. It's more than 50%. Like everyday exhausted etc. etc. That is less chance to go out. Also, you know, it's a little bit difficult to encourage ourselves that is very important to meet something that nobody knows. It's quite difficult. If it's an important one, there must be much garbage (to sift through)….
An informal discourse ensued to understand and, to spell out the source of the dysfunction and on visualizing remedial action.

Mr. M: Fine. By the way, I understand that you did interviews in the overseas offices. I am getting a kind of very positive or constructive feedback from overseas. I don't know what you have discussed about anything, but …

As the informal discourse managed to garner executive sponsorship, it was then moved into a formal channel where a decision was reached as to pertinent actions.

Mr. M: That's how we introduced like on-line board meeting. With overseas offices. We noticed that communication could have been one-sided. So, we corrected that part.

The institution's corner pillar, the taken-for-granted Confucian vertical communication went under a meaning change. The instruct-obey modus operandi was recalibrated in (some) favour of those perceived to be on the lower rungs of hierarchy. The implementation took place by order, in a top-down sensegiving manner. Communication is power: Who can tell the story? How and to who? The new meaning empowered: allowed subsidiaries to be heard and allowed knowledge to reach the headquarters from the subsidiaries. On a practical level, the meaning change helped eliminate/decrease time lags in operations.

Conclusions

The insights of this study inform that the Japanese business group's path-dependent institutions are key to path-breaking. These institutions provide sanctioned space, processes and access to relationships throughout the break-out: the opportunity for the exogenous trigger's stimulus to be perceived the organization, safe place for members to make sense, to build coalitions, gain sponsorship then move the dialogue up for decision-making and implementation / reinforcement.
The process of break-out is illustrated in Table 1) Break-out process, below.

The process is visualized as an interaction among path dependence's structural and agentic components. The structure is conceived as the Institution, a sum of the knowledge production cycle: meanings, codes & symbols, routines, structures & relationships and instutions. Agency is conceptualized as the on-going acculturation and socialization of group members and their enacting,

and reinforcing the Institution. All interactions among the components are understood to be overlapping, interdependent and iterative. For the sake of clarity, the process is ordered in a linear manner.

Table 1.
Break-out process

Process Phase	Structure / Institution	Agency
Trigger	Structures & relationships: sanctioned fortuitous encounter with 3rd party	Incorporate innovation into the status quo by legitimacy: sanction meeting / allow members to engage in dialogue
Break-out	Structures & relationships; routines: informal communication channels	Safeguard interpersonal harmony: visualize meaning conflict / reconcile meanings / build coalitions / renegotiate meanings / prepare consensus / imply endorsement
	Structures & Relationships: formal communication channels	Legitimize change in status quo: gain/provide endorsement
	Meanings; Institution	Introduce new status quo: signal/perceive legitimacy - is predisposed to implement
Implementation	Meanings	Enact status quo: introduce updated meaning definition
	Structures & Relationships	Enact status quo: make/become available to roll out changes
	Routines	Reinforce status quo: enact updated cognitive & behavioural repertoire, institutionalize

To summarize, the firm's eroding competitiveness in a rapidly consolidating market caused anxiety and frustration but was not sufficient to sound the organizational change trigger. An exogeneous "small" random event opened a sanctioned third space: the Japanese Business Group Institution's relationship construct allowed members to engage in an unmediated dialogue with an outsider. The third-space being sanctioned means that what is said and done, is fed into implicit reporting channels. At the same time the third space is shielded from the scrutiny of expectations. This provides agency with room to work around the truth: to expose a break-down in meanings, to express intense emotions, to discover the availability and feasibility of alternate modes of organizing and to organize coalitions among the like-minded. The participants are mostly tenured. Confucian philosophy corresponds length of tenure with the ability and opportunity to communicate, meaning that the participants are at liberty to escalate the discourse through social channels. Having thus gained tentative executive sponsorship, the process is moved to the formal communication channels for decision making: to endorse the update in meaning. The endorsement grants legitimacy for the new meaning: signals a readiness to make resources available and to implement. In the case, implementation was rolled out within a few months from the time of the research interviews. The swift decision-making testifies of effective coalition-building. The consensus of coalition members signals as much agreement with the measures, as yielding to central people and central decisions: observing path dependent institutions.

Acculturation – a predisposition to align with centrally sanctioned objectives expedites the implementation. The swift implementation is testimony to the existence of routinized processes that

are readily activated. In addtion, these can be relied on to be followed with minimum supervision as a result of reinforced learning mechanisms. The meaningful but slight modification of routines stays below the radar, therefore little or no resistance is offered. When routines then sink in, these reinforce the renegotiated meanings and with these, the Institution's other components.

The mechanisms of path-breaking are understood to be circular: balance each other in dialectic as well as interconnected relationships. The break-out is born out of path dependence's structure and agency and, the interactions among components: the institutions create opportunity and then enable, facilitate, and reinforce agentic innovation. Feldman and Pentland's iconic study (Feldman & Pentland, 2003) identifies routines as the locus of organizational innovation.

This study's findings expand the locus of innovation from a single institutional component of routines to the sum of all components: The Institution. The break-out scenario is set in motion by the trigger on four conditions. First, the pain must be felt acutely (Maitlis et al., 2013). Second, the sensemaking actors must have both the ability and the opportunity to communicate in the organization (Maitlis & Lawrence, 2007; Whittle et al., 2023). Third, these narratives must reach and be endorsed by someone with the power to offer executive sponsorship. The perception of central sponsorship transmits the meaning of legitimacy, and this predisposes organizational members to follow directives. From a process perspective, the organization must have effective mechanisms in place that guide action from inception through implementation. Key to this is the legitimacy of social mechanisms and their tight integration with the formal mechanisms.

Implications on research and practice

Four key implications are considered for theory and managerial practice.

Path-breaking is acknowledged as a relational construct possessing structure and agency embedded in path dependence; and the iterative-overlapping interaction among structural and agentic components produces knowledge. The knowledge produced by path dependence informs path-breaking via institutionalization, socialization and, acculturation. Path dependence produces the cohesion and stability of organizations, and at the same provides for their inherent ability to transform: stability and volatility, can in fact be mutually inclusive when certain conditions are met. As for the conditions to break-out, the pain must be felt acutely (Maitlis et al., 2013). Second, the sensemaking actors must have both the ability and the opportunity to communicate in the organization. Then, these actors must be able to gather sponsorship to overweigh organizational inertia and political resistance (Balogun et al., 2014; Maitlis & Lawrence, 2007). Most importantly, the organization must have effective mechanisms, not limited to formal channels, in place that guide action towards and through swift implementation. Key to this is acknowledging ambiguity as a productive construct: the social mechanisms need to be legitimate and tightly integrated with the formal mechanisms.

From a process perspective, path-dependent patterns are likely to be broken by a random and „small event" trigger. In this case, an encounter with a third point of view in a semi-formal setting. Path-dependent structures then provide the opportunity for the trigger event to take place, these then enable and facilitate the break-out process. Ambiguity/social organization facilitates the reconstruction of locked-in patterns through an intense and mostly informal negotiation process

leading up to endorsement. This heralds in a prompt and swift implementation that is supported by power bias: top-down sensegiving and a predisposition to follow lead as result of acculturation / extensive socialization. Further path dependent structures & relationships facilitate implementation: administrative, behavioural and cognitive templates.

Lastly, the study has implications on the keiretsu theory. This paper opens the black box on the Japanese business group's process of resilience. It is understood that the modus operandi of the Japanese Business Group Institution is built on Confucian philosophy: a state of equilibrium reinforced in a dialectic manner by processes marked by strong power bias. While the power bias represses agentic sensemaking, it does provide for organizational sensemaking – as a response to exogeneous stimuli deemed meaningful. The Institution of the Japanese Business Groups provides for third space opportunities & agentic behaviour. "Kankei", the institutionally sanctioned interpretation of relationship allows stimuli from fortuitous tail events to reach the organization and is found helpful to trigger discourses on "how we do things here". The Institution's integration of social and formal organization enables and facilitates action. Social organization / ambiguity of informal communication forums shields participants during interpretations and the ensuing renegotiation process. Tacit executive sponsorship then moves the process to formal channels where the renegotiated meaning is formally sanctioned. This signals both the legitimacy of the new definition, and the availability of resources for implementation. Power bias facilitates implementation in the form of top-down sense-giving and members' predisposition to align with centrally sanctioned objectives.

Limitations and call for further research

The findings' novelty poses the limitation for the paper. The emergent interplay of time, space, actors; the social and formal spaces connecting these as well as the processes' intended as well as unintended and unanticipated consequences acknowledge a great variation of empirical scenarios that hold true and/or are plausible under a specific set of circumstances. More empirical research is welcome to understand the interlinkages among these emergent phenomena better. The paper answers as many questions as it raises; one of these I thought particularly interesting. The reader may have noted that all the interview respondents were male. This invites a new angle on path dependence and diversity research. There is a general agreement on diversity's positive impact on innovation, profitability and, post-shock recovery, among others. There is also a consensus that diversity's fluctuation curves are difficult to manage, therefore organizations struggle with issues of inclusion. We still understand very little about the processes of homogeneity and diversity that (may) lead to pathological lock-ins and/or escape these. It would also be interesting to investigate the power dimension of path dependence: How is power manifest in the processes of path dependence? How does it contribute to homogeneity and diversity? How may these processes lead to pathological lock-ins and to their dissolution?

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